

LOUISIANA RURAL WATER ASSOCIATION, INC.  
FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITORS' REPORT

Year Ended June 30, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/2/11

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**GRAGSON, CASIDAY & GUILLORY, L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS

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KATHRYN BLESSINGTON, C.P.A.

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Louisiana Rural Water Association, Inc.  
Kinder, LA

October 1, 2010

We have audited the accompanying statement of financial position of Louisiana Rural Water Association, Inc. (a nonprofit organization), as of June 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Rural Water Association, Inc. as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2010 on our consideration of Louisiana Rural Water Association, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Louisiana Rural Water Association, Inc.  
October 1, 2010

Our audit was conducted for the purpose of forming an opinion on the financial statements of Louisiana Rural Water Association, Inc., taken as a whole. The accompanying supplemental information is presented for purposes of additional analysis and the schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations", and is also not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Gragson, Casiday & Guillory*

LOUISIANA RURAL WATER ASSOCIATION, INC.

Statement of Financial Position

June 30, 2010

ASSETS	<u>2010</u>	<u>2009</u>
Current Assets		
Cash	\$ 430,655	\$ 467,252
Investments	194,133	181,266
Accounts receivable	248,964	210,154
Prepaid expenses	54,169	32,089
Deposit	<u>-</u>	<u>50,000</u>
Total Current Assets	927,921	940,761
Fixed assets, at cost (net of accumulated depreciation of \$634,397 for 2010 and \$590,519 for 2009)	<u>643,679</u>	<u>670,951</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 1,571,600</b></u>	<u><b>\$ 1,611,712</b></u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 106,677	\$ 100,922
Deferred income	153,743	139,500
Vacation and sick leave payable	371,508	324,399
Note payable	<u>226,867</u>	<u>299,606</u>
Total Current Liabilities	858,795	864,427
Net Assets		
Unrestricted	<u>712,805</u>	<u>747,285</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 1,571,600</b></u>	<u><b>\$ 1,611,712</b></u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Statement of Activities

Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Totals	
			2010	2009
<b>REVENUES AND RECLASSIFICATIONS</b>				
Grants	\$ 1,706,721	\$ -	\$ 1,706,721	\$ 1,451,410
Membership fees	254,079	-	254,079	236,803
Conference income	175,241	-	175,241	170,225
Training income	56,278	-	56,278	50,835
Advertising income	29,723	-	29,723	24,413
Interest income	16,778	-	16,778	20,381
Other income	46,188	-	46,188	23,774
Net Assets Released from Restrictions:				
Satisfaction of program restrictions	-	-	-	-
Total Revenues and Reclassifications	<u>2,285,008</u>	<u>-</u>	<u>2,285,008</u>	<u>1,977,841</u>
<b>EXPENSES</b>				
General and administrative	537,221	-	537,221	566,867
Federal program subsidies	45,147	-	45,147	21,174
Program services:				
LA – WARN	650	-	650	13,515
E.P.A.	201,235	-	201,235	124,753
Circuit rider – National Rural Water	329,775	-	329,775	362,937
ARRA – National Rural Water	234,949	-	234,949	-
Wastewater – National Rural Water	227,227	-	227,227	315,625
Energy	465,772	-	465,772	441,934
Compliance initiative	176,978	-	176,978	114,776
Drinking water – USDA	<u>100,534</u>	<u>-</u>	<u>100,534</u>	<u>99,231</u>
Total Expenses	<u>2,319,488</u>	<u>-</u>	<u>2,319,488</u>	<u>2,060,812</u>
Increase (decrease) in net assets	(34,480)	-	(34,480)	(82,971)
NET ASSETS - BEGINNING OF YEAR	<u>747,285</u>	<u>-</u>	<u>747,285</u>	<u>830,256</u>
NET ASSETS - END OF YEAR	<u>\$ 712,805</u>	<u>\$ -</u>	<u>\$ 712,805</u>	<u>\$ 747,285</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Statement of Cash Flows

Year Ended June 30, 2010

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ (34,480)	\$ (82,971)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	43,878	41,709
Unrealized (gain) loss on investments	(5,277)	(1,876)
(Increase) Decrease in assets		
Accounts receivable	(38,810)	(40,080)
Prepaid expenses	(22,080)	20,769
Deposit	50,000	(50,000)
Increase (Decrease) in liabilities		
Accounts payable	5,755	35,439
Deferred income	14,243	5,068
Vacation and sick leave payable	47,109	(12,473)
Net cash from operating activities	<u>60,338</u>	<u>(84,415)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sales of investments and noncash equivalents	-	112,521
Purchase of investments and noncash equivalents	(61,184)	-
Proceeds from debt borrowings	-	338,054
Purchase of fixed assets	(16,606)	(29,080)
Payments on debt borrowings	<u>(72,739)</u>	<u>(376,502)</u>
Net cash used by investing activities	<u>(150,529)</u>	<u>44,993</u>
Net increase (decrease) in cash equivalents	(90,191)	(39,422)
Cash equivalents - Beginning of year	<u>365,561</u>	<u>404,983</u>
Cash equivalents - End of year	<u>\$ 275,370</u>	<u>\$ 365,561</u>
Supplemental Disclosure:		
Cash paid for interest	<u>\$ 14,854</u>	<u>\$ 18,709</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Association was formed in 1978 to provide training and technical assistance to rural water and wastewater systems throughout Louisiana.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, Louisiana Rural Water Association, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Revenues

Revenues are derived primarily from federal and state grants and from membership fees. Grants are summarized as follows:

E.P.A. - To provide training and technical assistance to rural and small public water supply systems. Revenue of \$204,461 was recognized in the current year. Current grant agreement runs through August 15, 2010.

Circuit Rider – National Rural Water Association, Inc. - To provide technical assistance to systems servicing rural areas or cities/towns with a population under 10,000. Revenue of \$303,526 was recognized in the current year. Current grant agreement runs through October 31, 2012.

ARRA – American Recovery and Reinvestment Act – National Rural Water Association – to provide technical assistance to systems servicing rural areas or cities/towns with a population under 10,000. Revenue of \$232,474 was recognized in the current year. Current grant agreement runs through October 31, 2010.

Wastewater - National Rural Water Association, Inc. - To provide technical assistance to "Rural Development Administration" funded and potentially funded wastewater systems. Revenue of \$231,442 was recognized in the current year. Current grant agreement runs through July 31, 2010.

Energy - "Rural Water Energy Conservation Program". Revenue of \$452,400 was recognized in the current year. Current grant agreement ran through June 30, 2010.

Continued



LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Drinking Water –USDA- To provide training and technical assistance to implement federal drinking water grant. Revenue of \$98,574 was recognized in the current year. Current grant agreement runs through March 31, 2010.

Very small water system - To provide training for very small water system's operators. Revenue of \$10,800 was recognized in the current year. Current grant agreement runs through June 30, 2012.

Louisiana Compliance Initiative – To provide training and technical assistance in compliance with drinking water regulations. Revenue of \$173,043 was recognized in the current year. Current grant agreement runs through February 28, 2011.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable at June 30, 2010 of \$248,964 represents receivables from the federal and state grants.

Advertising Costs

The Association expenses advertising costs as incurred. Expenses incurred were \$565 and \$895 for 2010 and 2009, respectively.

Deferred Income

Grant funds received from the grantor for particular operating purposes are deemed to be earned and reported as revenues when the Association has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet earned are reported as deferred amounts.

Cash

Cash includes amounts in demand deposits. The Association's policy is to secure required collateral to safeguard all of the financial instruments. At June 30, 2010, the carrying amount was \$430,655 and the bank balance was \$439,467. Of the bank balance, \$251,215 was covered by federal depository insurance and government securities and the remainder of \$188,252 was collateralized by pledged securities.

Continued

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments

Investments are composed of mutual funds investing in debt and equity securities and are carried at fair value. The fair value is obtained from monthly investment statements. Investments as of June 30, 2010 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Liberty Mutual Fund for U.S. Government Securities	<u>\$ 201,374</u>	<u>\$ 194,133</u>	<u>\$ 194,133</u>

The following summarizes the investment return:

Interest earned	\$ 7,594
Unrealized gain	<u>5,277</u>
Net investment return	<u>\$ 12,871</u>

Prepaid Expenses

Prepaid expenses of \$54,169 and \$32,089 at June 30, 2010 and June 30, 2009, respectively, represent mostly conference expenses paid at year end.

Vacation and Sick Leave Policies

The Association's vacation policy permits 10 days after one year of service and 15 days after five years of service. Accrued vacation must be taken within one year. Employees are paid for unused vacation days upon termination of employment. Accrued vacation payable is recorded at \$69,687 at June 30, 2010.

The Association's sick leave policy permits the accumulation of one day per month up to a maximum of 120 days. Employees are not paid for unused sick days upon termination of employment. Accrued sick leave is recorded at \$301,821 at June 30, 2010.

The Association has received permission from its federal grantor agency to accrue funded vacation and sick leave benefits. The federal programs fund the accruals to accumulate funds to pay for terminations and long-term illnesses of employees paid from those programs. The accrual cannot be more than the legal liability for those programs.

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Continued

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Reconciliation of cash and cash equivalents at June 30, 2010 is as follows:

Cash Equivalents	\$ 275,370
Noncash Equivalents	<u>155,285</u>
Total Cash	<u>\$ 430,655</u>

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as restricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Subsequent Events

Management has evaluated subsequent events through October 1, 2010, the date the financial statements were available to be issued.

NOTE B - FIXED ASSETS

A summary of fixed assets follows:

Building and land	\$ 698,891
Equipment	<u>579,185</u>
	1,278,076
Less accumulated depreciation	<u>634,397</u>
	<u>\$ 643,679</u>

Fixed Assets are stated at cost. Depreciation is provided over the estimated useful lives, ranging from 5 to 31 years, of the respective assets calculated on the straight line method. Depreciation expense for the year ended June 30, 2010 was \$43,878.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2010

NOTE C - NOTE PAYABLE

Note payable at June 30, 2010 consisted of the following:

Note payable to Jeff Davis Bank dated July 22, 2008,  
payable on demand or in 59 monthly installments of \$2,778,  
with a balloon payment of \$257,678, including interest at  
5.5%, maturity of July 22, 2013, collateralized by real estate \$ 226,867

The maturities are as follows:

<u>Year ending</u>	
June 30, 2011	\$ 226,867

NOTE D - FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE E - CONTINGENCIES

The Association receives a substantial amount of its support from federal and state government grants. A significant reduction in the level of this support, if this were to occur, may have an effect on the programs and activities.

NOTE F - INCOME TAXES

The Association is exempt from federal income taxes under the provision of Section 501(c)(6) of the Internal Revenue Code.

NOTE G - RETIREMENT PLAN

The Association has a defined contribution salary deferral plan covering substantially all employees. Under the plan, the Association contributes seven percent of each eligible employee's salary. Employees may contribute up to fifteen percent, but must contribute at least three percent, of each eligible employee's salary. Plan expenses incurred by the Association for the year ended June 30, 2010 was \$53,419.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2010

NOTE H – COMPARATIVE INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

<u>Federal Grantor/Pass- Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantors Number</u>	<u>Disburse- ments/ Expenses</u>
U.S. Department of Agriculture Passed through National Rural Water Association, Inc.			
Circuit Rider	-	53-31ME-3-0001	\$ 303,526
ARRA – American Recovery & Reinvestment Act	-	53-31ME-3-0001	232,474
<u>Other Federal Awards:</u>			
U.S. Department of Agriculture Passed through National Rural Water Association, Inc.			
Wastewater technical assistance	10.761	-	231,442
Source water	66.202	-	98,574
U.S. Department of Environmental Protection Agency Passed through National Rural Water Association, Inc.			
Ground water/wellhead protection	66.202	-	<u>204,461</u>
TOTAL FEDERAL AWARDS			<u>\$ 1,070,477</u>

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Louisiana Rural Water Association, Inc and is presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the Schedule presents only a selected portion of the operations of the Louisiana Rural Water Association, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Louisiana Rural Water Association, Inc.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Schedule of General and Administrative Expenses

Year Ended June 30, 2010

	<u>2010</u>	<u>2009</u>
Advertising	\$ 565	\$ 895
Conference- other	1,600	1,469
Conference – LRWA	123,475	127,025
Depreciation	3,027	3,577
Dues	12,575	9,875
Employee benefits	6,621	2,316
Indirect expenses- Internal	119,238	126,935
Indirect expenses- unallocated excess	119,433	122,364
Miscellaneous	15,875	21,729
Newsletter	51,825	49,573
Office expense	4,965	6,419
Public relations	15,936	17,473
Research fund contribution	3,500	3,500
Retirement	575	311
Rural water rally	9,833	27,765
Salaries	7,830	4,435
Scholarship	4,000	4,000
Taxes-payroll	861	459
Training	30,471	29,013
Travel	5,016	7,734
	<u>\$ 537,221</u>	<u>\$ 566,867</u>

LOUISIANA RURAL WATER ASSOCIATION, INC.

Schedule of Indirect Expenses

Year Ended June 30, 2010

	<u>2010</u>	<u>2009</u>
Board members expenses	\$ 1,809	\$ 3,298
Depreciation	20,812	21,470
Dues	320	320
Employee benefits	46,342	48,626
Equipment lease	12,352	13,815
Insurance	8,369	8,291
Interest	14,854	18,709
Office supplies	22,980	28,777
Miscellaneous	586	636
Postage	11,531	10,836
Professional fees	14,012	15,234
Repairs and maintenance	4,015	5,234
Retirement	17,760	18,101
Salaries	261,949	258,588
Taxes-payroll	20,392	19,928
Telephone	26,749	20,939
Travel - Administrative	49,073	50,143
Travel - Board	30,604	36,067
Utilities	<u>7,968</u>	<u>8,369</u>
	<u>\$ 572,477</u>	<u>\$ 587,381</u>





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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Louisiana Rural Water Association, Inc.  
Kinder, LA

October 1, 2010

We have audited the financial statements of Louisiana Rural Water Association, Inc. (a nonprofit organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated October 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Louisiana Rural Water Association, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Louisiana Rural Water Association, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, detect and correct misstatements on a timely basis. A material weakness is a significant deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as identified above.

Louisiana Rural Water Association, Inc.  
October 1, 2010

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Louisiana Rural Water Association, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Gragson, Casiday & Guillory*



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

To the Board of Directors  
Louisiana Rural Water Association, Inc.  
Kinder, LA

October 1, 2010

**Compliance**

We have audited the compliance of Louisiana Rural Water Association, Inc. with the types of compliance requirements described in the (OMB) Circular A-133 Compliance Supplement" that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. Louisiana Rural Water Association, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Louisiana Rural Water Association, Inc.'s management. Our responsibility is to express an opinion on Louisiana Rural Water Association, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Louisiana Rural Water Association, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Louisiana Rural Water Association, Inc.'s compliance with those requirements.

In our opinion, Louisiana Rural Water Association, Inc. complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Louisiana Rural Water Association, Inc.  
October 1, 2010

Internal Control Over Compliance

Management of Louisiana Rural Water Association, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Louisiana Rural Water Association, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Louisiana Rural Water Association, Inc.'s internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Gragson, Casiday & Guillory*

LOUISIANA RURAL WATER ASSOCIATION, INC.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

I - Summary of Auditors' Results

*Financial Statements*

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weaknesses(es) identified? \_\_\_\_\_ yes   X   no
- Control deficiencies identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes   X   none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes   X   no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
- Control deficiencies identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes   X   none reported

Type of auditors' report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

\_\_\_\_\_ yes   X   no

Identification of major programs:

CFDA Number

-

Name of Federal Program

Circuit Rider and ARRA

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

  X   yes \_\_\_\_\_ no

II - Financial Statement Findings

- None

III - Federal Award Findings and Questioned Costs

- None